

CANADIAN POWER AND PAPER INVESTMENTS, LIMITED

355 ST. JAMES STREET WEST

MONTREAL

CANADA

Montreal, 2nd October, 1939.

To the Shareholders:

Your Directors submit the Annual Report of your Company for the year ended July 31st, 1939, including Balance Sheet and Statements of Profit and Loss and Surplus Accounts, which have been certified to by the Company's auditors, Messrs. P. S. Ross & Sons.

Debentures to the principal amount of \$69,100 were purchased by the Company during the year and cancelled.

In September, 1939, in accordance with Supplementary Trust Agreement made between the Company and the Montreal Trust Company, as Trustee, under date of October 24th, 1934, the Auditors deposited a Certificate with the Trustee to the effect that there were no earnings available for the accounting period ended July 31st, 1939, for arrears of interest on the 5% Thirty-Year Debentures, Series "A", of the Company. Debenture interest for the year under review was paid as it became due.

The balance of the Investment Reserve Account which was set up for depreciation in investment securities, amounting to \$23,292.65, was increased during the past fiscal year by \$50,000.00, and the Investment Reserve Account now amounts to \$73,292.65.

Respectfully submitted on behalf of the Board,

J. ALDERIC RAYMOND,
President.



Diversification of Investments *Based on Current Values as at 31st July, 1939*

	<i>Bonds</i>	<i>Preferred Stocks</i>	<i>Common Stocks</i>	<i>Total</i>
Public Utilities.....		13.55	56.59	70.14% (A)
Pulp and Paper.....	.68		17.70	18.38 (B)
Foodstuffs and Beverages.....	1.98	2.30	.45	4.73
Mining and Smelting.....			1.57	1.57
Oil.....			1.06	1.06
Textile, Iron, Steel, Coal, etc.....		.72	.70	1.42
Railroads and Real Estate.....	.63		2.07	2.70
	<u>3.29%</u>	<u>16.57%</u>	<u>80.14%</u>	<u>100.00%</u>

(A) Consisting largely of Power Corporation of Canada, Limited.

(B) Consisting largely of Bathurst Power & Paper Company, Limited.

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CANADIAN POWER & PAPER INVESTMENTS, LIMITED

Statement of Profit and Loss Account *for the year ended 31st July, 1939*

REVENUE		
Revenue from Investments.....	\$ 67,544.60	
Bank Interest.....	27.14	
Profit on Exchange.....	26.71	
		\$ 67,598.45
EXPENDITURE		
Audit Fees.....	300.00	
General Expense.....	706.56	
Insurance.....	283.16	
Salaries—Clerical and Secretarial.....	1,200.00	
Taxes.....	1,206.67	
Trustee's, Transfer Agent's, Registrar's and Paying Agent's Fees....	1,721.28	
Directors' Fees.....	1,500.00	
Debenture Interest.....	48,368.31	
Foreign Exchange on Debenture Interest paid during the year.....	207.81	
Tax on Profits—Province of Quebec.....	25.00	
Portion of Provision for Depreciation on Investment Securities in accordance with Resolution of Directors.....	25,000.00	80,518.79
Deficit for the year ended 31st July 1939 transferred to Earned Surplus Account...		<u>\$ 12,920.34</u>

Statement of Earned Surplus Account *as at 31st July, 1939*

Balance at Credit 31st July, 1938.....	\$ 8,546.35
ADD: Reduction in Liability for Debenture Interest accrued to 31st July 1938 resulting from—	
Purchase and Cancellation during the year ended 31st July 1939 of \$69,100.00 principal amount of 5% Debentures	\$ 15,547.50
Cancellation of Debenture Coupons dated 1st February 1934, paid 1st October 1938 held by Company.....	402.50
	<u>15,950.00</u>
	\$ 24,496.35
DEDUCT: Loss from Operations for the year ended 31st July, 1939.....	12,920.34
Balance at Credit 31st July, 1939.....	<u>\$ 11,576.01</u>

Statement of Capital Surplus Account *as at 31st July, 1939*

Balance at Credit 31st July, 1938.....	\$ 10,962.68
ADD: Discount on Debentures Purchased and Cancelled.....	\$ 14,828.75
Profit resulting from Sales of Investment Securities.....	19,007.55
	<u>33,836.30</u>
	\$ 44,798.98
DEDUCT: Portion of Provision for Depreciation on Investment Securities in accordance with Resolution of Directors.....	25,000.00
Balance at Credit 31st July, 1939.....	<u>\$ 19,798.98</u>

Schedule of Investment Reserve Account *as at 31st July, 1939*

Balance at Credit 31st July, 1938.....	\$ 23,292.65
Appropriation for the year ended 31st July, 1939 in accordance with Resolution of Directors:	
From Profit and Loss Account.....	\$ 25,000.00
From Capital Surplus Account.....	25,000.00
	<u>50,000.00</u>
Balance at Credit 31st July, 1939.....	<u>\$ 73,292.65</u>

CANADIAN POWER & PAPER INVESTMENTS, LIMITED

Balance Sheet *as at 31st July, 1939*

ASSETS

Cash in Banks.....		\$ 37,675.41
Investments at Cost:		
Bonds.....	\$ 153,686.10	
Preferred Stocks.....	773,440.37	
Common Stocks.....	3,735,322.94	
		<u>4,662,449.41</u>
(The aggregate value of these Investments at quoted market prices at 31st July, 1939, was \$1,192,193.59.)		
Accrued Interest on Investments.....		1,425.00
Prepaid Taxes, Insurance, etc.....		1,165.69
		<u>\$4,702,715.51</u>

LIABILITIES

Accrued Liabilities.....		\$ 2,297.87
Interest accrued on outstanding Debentures from 1st February, 1934 to 31st July, 1939, payable in Canadian or United States Dollars or Sterling.....		229,150.00
Investment Reserve.....		73,292.65
5% Thirty Year Debentures, Series "A", due 1st February, 1958:		
Outstanding 31st July, 1938.....	\$ 985,700.00	
DEDUCT: Purchased and Cancelled during the year ended 31st July, 1939.....	69,100.00	
		<u>916,600.00</u>
Cumulative Preferred Shares:		
(Redeemable at \$52.50 per share):		
Authorized and Issued—50,000 shares of No Par Value. . . .		2,500,000.00
(of which 6,557 shares were in hands of transfer agent for distribution on share for share basis to holders of 5% Cumulative Convertible Preferred Shares upon surrender thereof).		
Common Stock:		
Authorized—96,000 shares of No Par Value.		
Issued —94,000 shares.....		950,000.00
(of which 11,328 2/50 shares were outstanding in excess of present requirements for distribution under terms of Supplementary Letters Patent dated 6th September, 1934).		
Capital Surplus—as per Statement attached.....	19,798.98	
Earned Surplus—as per Statement attached.....	11,576.01	31,374.99
		<u>\$4,702,715.51</u>

Approved on behalf of the Board:

J. ALDERIC RAYMOND	} Directors.
E. R. BREMNER	
COLIN W. G. GIBSON	

Auditors' Report

CANADIAN POWER AND PAPER INVESTMENTS, LIMITED, MONTREAL:

We have audited the accounts of Canadian Power and Paper Investments, Limited, for the year ended 31st July, 1939, and have obtained all the information and explanations we have required.

We certify that, in our opinion, the above Balance Sheet is drawn up so as to set forth a true and correct view of the financial position of the Company at 31st July, 1939, and that the Profit and Loss and Surplus Accounts show the results from operations for the year ended the same date, according to the best of our information, the explanations given to us and as shown by the books of the Company.

MONTREAL, QUE., 30th August, 1939.

(Signed) P. S. ROSS & SONS,
Chartered Accountants.

CANADIAN POWER AND PAPER
INVESTMENTS, LIMITED

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Annual Report
at 31st July, 1939

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Head Office:
355 ST. JAMES STREET WEST
MONTREAL
CANADA